

Year-end Report 2021



Essity Aktiebolag (publ)



JANUARY 1 – DECEMBER 31, 2021

(compared with the corresponding period a year ago)

- Sales growth, including organic sales growth and acquisitions, amounted to 4.5%, of which organic sales growth amounted to 3.3%. Net sales increased 0.1% to SEK 121,867m (121,752). Sales growth, including organic sales growth and acquisitions, was strong for the fourth quarter of 2021 and amounted to 10.3%, of which organic sales growth amounted to 8.0%.
- Price increases have been implemented and further price increases will be implemented during 2022
- Six acquisitions completed: Australian hygiene company Asaleo Care, increased shareholding by 45.8% to 95.8% in Latin American hygiene company Familia and four acquisitions in Medical Solutions.
- Market shares increased for approximately 70% of branded sales in the retail trade
- E-commerce sales increased organically by 15.9% to approximately 14% of net sales, corresponding to approximately SEK 17bn.
- In emerging markets, which accounted for 38% of net sales, organic sales growth amounted 8.8%.
- Operating profit before amortization of acquisition-related intangible assets (EBITA) decreased 20% to SEK 14,051m (17,567)
- Adjusted EBITA amounted to SEK 13,680m (17,626)
- Adjusted EBITA margin amounted to 11.2% (14.5). Higher costs for raw materials, energy and distribution had a negative impact of 4.8 percentage points on the margin.
- Adjusted return on capital employed amounted to 12.0% (15.7)
- Profit for the period was SEK 9,810m (11,747)
- Earnings per share were SEK 12.27 (14.56)
- Cash flow from current operations was SEK 6,894m (11,175)
- The Board of Directors proposes an increase in the dividend of 4% to SEK 7.00 (6.75) per share

EARNINGS TREND

SEKm	2112	2012	%	2021:4	2020:4	%
Net sales	121,867	121,752	0	34,226	30,956	11
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA) ¹	13,680	17,626	-22	3,077	4,392	-30
Operating profit before amortization of acquisition-related intangible assets (EBITA)	14,051	17,567	-20	3,004	4,390	-32
Amortization of acquisition-related intangible assets	-852	-809		-250	-199	
Adjusted operating profit ¹	12,828	16,817	-24	2,827	4,193	-33
Items affecting comparability	371	-59		-73	-2	
Operating profit	13,199	16,758	-21	2,754	4,191	-34
Financial items	-662	-958		-190	-172	
Profit before tax	12,537	15,800	-21	2,564	4,019	-36
Adjusted profit before tax ¹	12,166	15,859	-23	2,637	4,021	-34
Income taxes	-2,727	-4,053		-346	-990	
Profit for the period	9,810	11,747	-16	2,218	3,029	-27
Earnings per share, SEK	12.27	14.56		2.82	3.76	
Adjusted earnings per share, SEK ²	12.50	15.45		3.14	3.95	

¹Excluding items affecting comparability; for amounts see page 13.

²Excluding items affecting comparability and amortization of acquisition-related intangible assets.

CEO'S COMMENTS

Strong sales growth and focus on price increases

Net sales for 2021 amounted to approximately SEK 122bn. Sales growth, including organic sales growth and acquisitions, amounted to 4.5%, of which organic sales growth amounted to 3.3%. All business areas demonstrated organic sales growth. We continued to capture market shares and reported strong e-commerce growth. We implemented price increases and further price increases will be implemented in 2022 to offset the strong cost inflation.

Full-year 2021

Net sales for 2021 amounted to approximately SEK 122bn. Sales growth, including organic sales growth and acquisitions, amounted to 4.5%, of which organic sales growth amounted to 3.3%. All business areas demonstrated organic sales growth. Medical Solutions and Feminine Care reported strong organic sales growth of 10.8% and 10.0%, respectively. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. At the same time, our hygiene and health solutions are more important than ever, and we can see a rapid increase in sales when societies re-open and restrictions are lifted. The Group's organic sales growth amounted to 1.3% compared with full-year 2019.

Due to the significant cost inflation, adjusted EBITA fell 22% to SEK 13,680m. The adjusted EBITA margin declined 3.3 percentage points to 11.2%. Higher costs for raw materials, energy and distribution reduced the margin by 4.8 percentage points. Higher volumes, higher selling prices, a better mix and efficiency improvements had a positive impact on earnings. Cost savings amounted to SEK 698m. The adjusted return on capital employed was 12.0%. Earnings per share were SEK 12.27. The Board of Directors proposes an increase in the dividend of 4% to SEK 7.00 per share for the 2021 fiscal year.

Emerging markets' share of Essity's net sales and profitability has risen over time, supported by favorable market trends, a higher share of premium products, strong brands and a broadening of our offerings. In 2021, emerging markets accounted for 38% of net sales and organic sales growth was 8.8%. The adjusted EBITA margin in emerging markets was 10.5%.

We have taken strong actions to address the significant challenges in our operating environment during the year. We implemented price increases in all business areas and further price increases will be implemented in 2022 to offset the strong cost inflation. Manufacturing Roadmap delivered substantial cost savings and reduced our environmental impact.

Six acquisitions were completed during the year, including the Australian hygiene company Asaleo Care as well as an increase in our shareholding by 45.8% to 95.8% in the Latin American hygiene company Familia. In Medical Solutions, we strengthened our presence in advanced wound care and orthopedics in the US through the acquisitions of Hydrofera as well as AquaCast Liner and the sports tape brands Coach, Elastikon and Zonas. In addition, we finalized the acquisition of the remaining shares in ABIGO Medical AB in advanced wound care.

During the year, we launched innovations with a focus on greater well-being, sustainability and digitalization, helping us to increase our market shares for approximately 70% of branded sales in the retail trade. E-commerce sales amounted to approximately SEK 17bn, corresponding to about 14% of net sales, and organic sales growth was 15.9%.

We have raised our sustainability ambitions and have, for example, committed to achieving net zero emissions of greenhouse gases by 2050. Between 2016 and 2021, we reduced our carbon emissions under Science Based Targets, Scope 1 and 2, by 15%.

Essity was awarded a place on the global non-profit environmental organization CDP's A List for our work in combating deforestation, and was also recognized for our leadership in relation to climate change. Through the Consumer Goods Forum and its Forest Positive Coalition of Action, we work together with other companies and organizations to address deforestation and promote biological diversity.

We promote increased diversity, equal opportunities and inclusion in Essity's corporate culture, and we presented a new Group target for increased diversity during the year. During the COVID-19 pandemic, Essity has followed three priorities: care for our people, contribute to society and continue to secure business success.

Fourth quarter 2021

Sales growth, including organic sales growth and acquisitions, amounted to 10.3%, of which organic sales growth was 8.0%. All business areas demonstrated strong organic sales growth. The organic sales growth amounted to 7.5% compared with the fourth quarter of 2019. Adjusted EBITA decreased 30%. The adjusted EBITA margin decreased 5.2 percentage points to 9.0%. Higher costs for raw materials, energy and distribution reduced the margin by 10.4 percentage points. Higher volumes, higher selling prices, a better mix and cost savings had a positive impact on earnings. Cost savings amounted to SEK 228m. Earnings per share were SEK 2.82.

Looking ahead

We will implement further price increases in 2022. We are continuing to deliver in line with our strategy for profitable growth and increased shareholder value. Through innovation, digitalization, sustainability initiatives and efficiency improvements, we are increasing the company's competitiveness. Our new target for sales growth of more than 5% includes both organic sales growth and acquisitions. We are prioritizing to grow in the categories with the highest profitability.

Magnus Groth

President and CEO

ADJUSTED EARNINGS TREND

SEKm	2112	2012	%	2021:4	2020:4	%
Net sales	121,867	121,752	0	34,226	30,956	11
Cost of goods sold ¹	-86,628	-82,132		-25,617	-20,820	
Adjusted gross profit¹	35,239	39,620	-11	8,609	10,136	-15
Sales, general and administration ¹	-21,559	-21,994		-5,532	-5,744	
Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹	13,680	17,626	-22	3,077	4,392	-30
Amortization of acquisition-related intangible assets	-852	-809		-250	-199	
Adjusted operating profit¹	12,828	16,817	-24	2,827	4,193	-33
Financial items	-662	-958		-190	-172	
Adjusted profit before tax¹	12,166	15,859	-23	2,637	4,021	-34
Adjusted income taxes ¹	-2,803	-4,054		-373	-993	
Adjusted profit for the period¹	9,363	11,805	-21	2,264	3,028	-25
¹ Excluding items affecting comparability; for amounts see page 13.						
Adjusted Margins (%)						
Gross margin¹	28.9	32.5		25.2	32.7	
EBITA margin¹	11.2	14.5		9.0	14.2	
Operating margin¹	10.5	13.8		8.3	13.5	
Financial net margin	-0.5	-0.8		-0.6	-0.6	
Profit margin¹	10.0	13.0		7.7	12.9	
Income taxes ¹	-2.3	-3.3		-1.1	-3.2	
Net margin¹	7.7	9.7		6.6	9.7	
¹ Excluding items affecting comparability; for amounts see page 13.						

ADJUSTED EBITA BY BUSINESS AREA

SEKm	2112	2012	%	2021:4	2020:4	%
Personal Care	7,098	7,161	-1	1,766	1,879	-6
Consumer Tissue	4,661	8,045	-42	827	1,935	-57
Professional Hygiene	2,710	3,317	-18	681	809	-16
Other	-789	-897		-197	-231	
Total¹	13,680	17,626	-22	3,077	4,392	-30

¹ Excluding items affecting comparability; for amounts see page 13.**ADJUSTED OPERATING PROFIT BY BUSINESS AREA**

SEKm	2112	2012	%	2021:4	2020:4	%
Personal Care	6,261	6,395	-2	1,520	1,690	-10
Consumer Tissue	4,655	8,039	-42	825	1,933	-57
Professional Hygiene	2,701	3,280	-18	679	801	-15
Other	-789	-897		-197	-231	
Total¹	12,828	16,817	-24	2,827	4,193	-33

¹ Excluding items affecting comparability; for amounts see page 13.**OPERATING CASH FLOW BY BUSINESS AREA**

SEKm	2112	2012	%	2021:4	2020:4	%
Personal Care	6,469	7,485	-14	1,530	2,133	-28
Consumer Tissue	3,691	6,455	-43	1,312	1,418	-7
Professional Hygiene	2,512	3,183	-21	754	769	-2
Other	-1,554	-1,105		-390	-198	
Total	11,118	16,018	-31	3,206	4,122	-22

GROUP

NET SALES AND EARNINGS

January–December 2021 compared with the corresponding period a year ago

Net sales increased 0.1% compared with the corresponding period a year ago to SEK 121,867m (121,752). Sales growth, including organic sales growth and acquisitions, amounted to 4.5%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 3.3%, of which volume accounted for 1.8% and price/mix for 1.5%. All business areas reported organic sales growth. Sales were negatively impacted by the COVID-19 pandemic and the related lockdowns and restrictions, primarily within Professional Hygiene. Organic sales growth in mature markets amounted to 0.0% and in emerging markets to 8.8%. Emerging markets accounted for 38% of net sales. Exchange rate effects reduced net sales by 3.6%. The acquisition of Asaleo Care increased net sales by 1.2%. Divestments and deconsolidation reduced net sales by 0.8%. Organic sales growth amounted to 1.3% compared with 2019.

The Group's adjusted gross margin decreased by 3.6 percentage points year on year to 28.9% (32.5). Higher costs for raw materials, energy and distribution reduced the margin by 4.8 percentage points. The margin was positively impacted by higher volumes, higher selling prices, a better mix and cost savings. Continuous cost savings amounted to SEK 698m.

The Group's adjusted EBITA margin decreased 3.3 percentage points to 11.2% (14.5). Sales costs, excluding marketing costs, were lower also as a share of net sales. Marketing costs were higher but in line with the corresponding period a year ago as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 22% (19% excluding currency translation effects, acquisitions and divestments) to SEK 13,680m (17,626).

Items affecting comparability amounted to SEK 371m (-59). Essity's previous holding of 36.2% in Asaleo Care was remeasured on July 1, yielding a positive revaluation effect of SEK 706m. Other costs are mainly related to transaction costs for the acquisitions of Asaleo Care and Productos Familia S.A., as well as restructuring costs.

Financial items decreased to SEK -662m (-958), mainly due to lower interest.

Adjusted profit before tax decreased 23% (20% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 12,166m (15,859).

The tax expense, excluding effects of items affecting comparability, was SEK 2,803m (4,054).

Adjusted profit for the period decreased 21% (18% excluding currency translation effects, acquisitions and divestments) to SEK 9,363m (11,805).

Profit for the period decreased 16% (13% excluding currency translation effects, acquisitions and divestments) to SEK 9,810m (11,747). Earnings per share were SEK 12.27 (14.56). The adjusted earnings per share were SEK 12.50 (15.45).

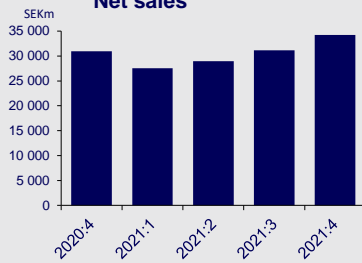
The adjusted return on capital employed was 12.0% (15.7). The adjusted return on equity was 14.3% (18.3).

Fourth quarter of 2021 compared with the corresponding period a year ago

Net sales increased 10.6% compared with the corresponding period a year ago to SEK 34,226m (30,956). Sales growth, including organic sales growth and acquisitions, amounted to 10.3%. Organic sales growth, which excludes exchange rate effects, acquisitions and divestments, amounted to 8.0%, of which volume accounted for 3.4% and price/mix for 4.6%. All business areas reported strong organic sales growth. Organic sales growth amounted to 6.5% in mature markets and 10.4% in emerging markets. Emerging markets accounted for 39% of net sales. Exchange rate effects increased net sales by 1.0%. The acquisition of Asaleo Care increased net sales by 2.3%. Divestments and deconsolidation reduced net sales by 0.7%. Organic sales growth amounted to 7.5% compared with the fourth quarter of 2019.

The Group's adjusted gross margin decreased by 7.5 percentage points to 25.2% (32.7). Higher costs for raw materials, energy and distribution reduced the margin by 10.4 percentage points. The margin was positively impacted by higher volumes, higher selling prices, better mix and cost savings. The continuous costs savings amounted to SEK 228m.

Net sales



Adjusted EBITA and margin



Excluding items affecting comparability

Change in net sales (%)

	21:12 vs 20:12	21:4 vs 20:4
Total	0.1	10.6
Volume	1.8	3.4
Price/mix	1.5	4.6
Currency	-3.6	1.0
Acquisitions	1.2	2.3
Divestments	-0.8	-0.7

Change in adjusted EBITA (%)

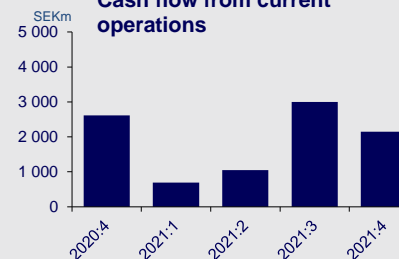
	21:12 vs 20:12	21:4 vs 20:4
Total	-22	-30
Volume	5	9
Price/mix	10	29
Raw materials	-24	-56
Energy	-7	-17
Currency	-4	1
Other	-2	4

Adjusted profit before tax



Excluding items affecting comparability

Cash flow from current operations



The Group's adjusted EBITA margin decreased 5.2 percentage points to 9.0% (14.2). Both sales costs, excluding marketing costs, and marketing costs were lower also as a share of net sales.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 30% (33% excluding currency translation effects, acquisitions and divestments) to SEK 3,077m (4,392).

Adjusted profit before tax decreased 34% (37% excluding currency translation effects, acquisitions and divestments) and amounted to SEK 2,637m (4,021).

Profit for the period decreased 27% (30% excluding currency translation effects, acquisitions and divestments) to SEK 2,218m (3,029). Earnings per share were SEK 2.82 (3.76). The adjusted earnings per share were SEK 3.14 (3.95).

The adjusted return on capital employed was 10.1% (16.1). The adjusted return on equity was 13.5% (18.7).

CASH FLOW AND FINANCING

January–December 2021 compared with the corresponding period a year ago

The operating cash surplus amounted to SEK 20,471m (24,653). The cash flow effect of changes in working capital was SEK -844m (-810). Working capital was negatively impacted by an increase in trade receivables as a result of higher sales and increased inventory value due to higher raw material prices. Investments in non-current assets, net, excluding investments in operating assets through leases, amounted to SEK -7,304m (-6,439). Operating cash flow before investments in operating assets through leases amounted to SEK 11,598m (16,427). Operating cash flow was SEK 11,118m (16,018).

Financial items decreased to SEK -662m (-958), mainly due to lower interest.

Tax payments had an impact on cash flow of SEK -3,634m (-3,917).

The net sum of acquisitions and divestments was SEK -11,800m (-380). Net cash flow totaled SEK -10,193m (6,046).

Net debt increased SEK 12,745m during the period and amounted to SEK 55,433m. Excluding pension liabilities, net debt amounted to SEK 52,723m. Net cash flow increased net debt by SEK 10,193m. Fair value measurement of pension assets and updated assumptions and assessments that affect measurement of the net pension liability, together with fair value measurement of financial instruments, increased net debt by SEK 147m. Exchange rate movements increased net debt by SEK 2,020m. Investments in non-operating assets through leases increased net debt by SEK 385m. The debt/equity ratio was 0.81 (0.67). Excluding pension liabilities, the debt/equity ratio was 0.77 (0.63). The debt payment capacity was 29% (46). Net debt in relation to adjusted EBITDA amounted to 2.77 (1.76).

EQUITY

January–December 2021

The Group's equity increased by SEK 5,165m during the period, to SEK 68,507m. Net profit for the period increased equity by SEK 9,810m. Equity decreased due to dividends to shareholders of SEK 5,269m. Equity decreased net after tax by SEK 161m as a result of fair value measurement of pension assets and updated assumptions and assessments that affect the valuation of the pension liability. Fair value measurement of financial instruments increased equity by SEK 2,071m after tax. Exchange rate movements, including the effect of hedges of net foreign investments, after tax, increased equity by SEK 4,641m. Equity decreased by SEK 5,961m due to the acquisition of the non-controlling interest in Productos Familia S.A. Other items increased equity by SEK 34m.

TAX

January–December 2021

A tax expense of SEK 2,803m was reported, excluding items affecting comparability, corresponding to a tax rate of 23.0% for the period. The tax expense including items affecting comparability was SEK 2,727m, corresponding to a tax rate of 21.7% for the period.

DIVIDEND

The Board of Directors proposes an increase in dividend of 4% to SEK 7.00 (6.75) per share or SEK 4,916m (4,741). March 28, 2022 is proposed as the record date for the right to receive dividends, and the dividend is expected to be paid on March 31, 2022.

EVENTS DURING THE QUARTER

Investment in world's first tissue machine running on geothermal steam

On October 6, 2021, Essity announced that the company is investing approximately SEK 95m in enhanced efficiency in the company's site in Kawerau, New Zealand, including the world's first tissue machine running a fully geothermal steam drying process. Together with a reduction in pulp consumption, reduced waste and elimination of the burning of natural gas on the machine, the improvements will contribute to a reduction of carbon emissions by 23% from the Kawerau site.

New business areas and new sales growth target

On October 22, 2021, Essity announced that the company decided on new business areas from January 1, 2022. The business areas will be Health & Medical, Consumer Goods and Professional Hygiene. As a consequence of its higher growth ambitions, Essity has also decided on a new sales growth target of more than 5%, which includes both organic sales growth and acquisitions. This replaces the previous target of organic sales growth of more than 3%.

Green hydrogen pilot for CO₂-free tissue production

On October 27, 2021, Essity announced that the company is launching a pilot project to run a paper machine CO₂-free with green hydrogen in the company's production facility in Mainz-Kostheim, Germany. Essity's investment in the project amounts to EUR 4m (approximately SEK 40m).

Acquisition of sports tape brands from Johnson & Johnson Consumer Inc.

On November 1, 2021, Essity announced that the company has acquired Johnson & Johnson Consumer Inc.'s professional sports tape brands Coach, Elastikon and Zonas, which are established premium products in the US market. Essity is a global market leader in taping and strapping and following the acquisition the company will also become leading among US sports medicine distributors. The purchase price is not material relative to Essity's market capitalization and is not disclosed.

Capital Markets Day 2021

On November 3, 2021, Essity held a livestreamed Capital Markets Day from the company's headquarters in Stockholm. Over the course of the day, Essity presented the company's strategy and continued transformation journey, as well as its work to achieve the Group's goal of profitable growth, net zero emissions by 2050 and improved well-being for people across the globe. The agenda followed Essity's strategic priorities: Continued transformation journey, Innovating leading brands, Accelerating digitalization, Leading in sustainability, Winning with people and culture and Growing in emerging markets. Link to the recording of the Capital Markets Day: <https://essity.videosync.fi/2021-11-03-cmd>

Essity named diversity leader among European companies

On November 17, 2021, Essity announced that the company had been designated a Diversity Leader by the UK business daily Financial Times. In the newspaper's annual ranking of diversity work in the business sector in 15 European countries, Essity was ranked 25th out of 15,000 companies.

Essity on CDP's A List for sustainability

On December 7, 2021, Essity announced that the company had been recognized for its leadership in sustainability by the global non-profit environmental organization CDP. The company was awarded a place on CDP's A List for its work in combating deforestation. Essity is also recognized for its leadership in the index for climate change, achieving A- from CDP.

EUR 300m loan agreement with the European Investment Bank

On December 10, 2021, Essity announced that it had secured a EUR 300m loan with the European Investment Bank (EIB) as part of financing Essity's research, development, and innovation process. The EUR 300m will support Essity's product innovation and sustainability investments across all business areas and product segments until 2024. The loan has a tenor of 7 year.

Acquisition of US medical solutions company within orthopedics

On December 21, 2021, Essity announced that the company had acquired the orthopedic specialist company AquaCast Liner, a provider of waterproof cast liners on the US market. With this acquisition the company is strengthening its leading market position in fracture management while extending its portfolio offering in the waterproof and water-resistant cast segment. The purchase price is not material relative to Essity's market capitalization and is not disclosed.

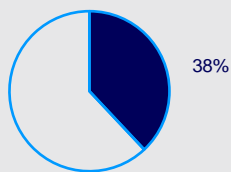
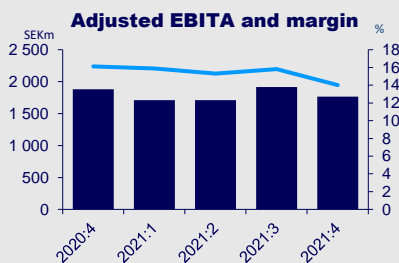
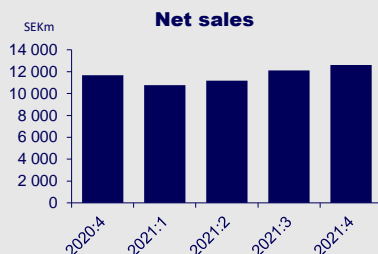
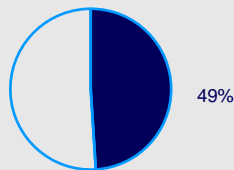
Acquisition of advanced wound care company in US

On December 29, 2021, Essity announced that the company had acquired the company Hydrofera. The company offers technology and products within advanced wound care. The purchase price amounts to USD 116m (approximately SEK 1.1bn) with a potential additional earnout amount of USD 15m (approximately SEK 140m) on a cash and debt free basis. The company, which has about 90 employees, has its head office in Manchester, Connecticut and is present in more than 15 countries.

EVENTS AFTER THE QUARTER

Essity announces price increases

On January 26, 2022, Essity announced that the company announces price increases in all product categories and markets to compensate the substantially higher costs for raw materials, energy and distribution. The timing and degree of the price increases will be managed locally. "We do not expect a decrease in the historically high costs for raw material, energy and distribution in the near term. Price increases are therefore essential to compensate for the higher costs while we continue to increase customer and consumer value through leading innovations and implement efficiency measures to achieve cost savings" says Magnus Groth, President and CEO, Essity.

Share of Group, net sales
2112Share of Group, adjusted EBITA
2112

Change in net sales (%)

	2112 vs 2012	21:4 vs 20:4
Total	1.2	8.1
Volume	2.7	2.6
Price/mix	2.3	3.9
Currency	-4.2	0.1
Acquisitions	1.4	2.3
Divestments	-1.0	-0.8

Change in adjusted EBITA (%)

	2112 vs 2012	21:4 vs 20:4
Total	-1	-6
Volume	9	9
Price/mix	14	23
Raw materials	-20	-46
Energy	-1	-3
Currency	-6	0
Other	3	11

PERSONAL CARE

SEKm	2112	2012	%	2021:4	2020:4	%
Net sales	46,639	46,095	1	12,605	11,660	8
Adjusted gross profit margin, %*	40.2	41.4		37.5	42.3	
Adjusted EBITA*	7,098	7,161	-1	1,766	1,879	-6
Adjusted EBITA margin, %*	15.2	15.5		14.0	16.1	
Adjusted operating profit*	6,261	6,395	-2	1,520	1,690	-10
Adjusted operating margin, %*	13.4	13.9		12.1	14.5	
Adjusted return on capital employed, %*	16.3	16.4		15.3	17.9	
Operating cash flow	6,469	7,485		1,530	2,133	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–December 2021 compared with the corresponding period a year ago

Net sales increased 1.2% to SEK 46,639m (46,095). The organic sales growth amounted to 5.0%, of which volume accounted for 2.7% and price/mix for 2.3%. Organic sales growth amounted to 2.8% in mature markets. In emerging markets, which accounted for 35% of net sales, organic sales growth amounted to 9.0%. Exchange rate effects reduced net sales by 4.2%. The acquisition of Asaleo Care increased net sales by 1.4%. Divestments reduced net sales by 1.0%.

For Incontinence Products, with Essity's globally leading TENA brand, organic sales growth amounted to 3.5%. In Medical Solutions, organic sales growth amounted to 10.8%. For Baby Care, organic sales growth amounted to -0.6%. For Feminine Care, organic sales growth amounted to 10.0%.

The adjusted gross margin decreased 1.2 percentage points to 40.2% (41.4). Higher costs for raw materials and distribution had a negative impact on the margin. The margin was positively impacted by higher volumes, higher prices, a better mix and cost savings. The adjusted EBITA margin decreased 0.3 of a percentage point to 15.2% (15.5). Sales costs, excluding marketing costs, were lower also as a share of net sales. Marketing costs were higher but decreased as a share of net sales. Adjusted EBITA decreased 1% (increased 3% excluding currency translation effects, acquisitions and divestments) to SEK 7,098m (7,161).

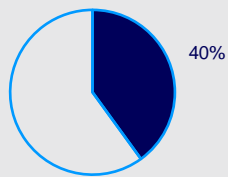
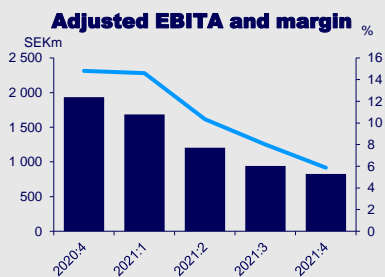
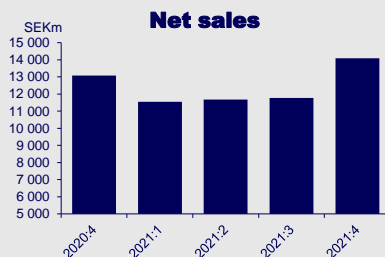
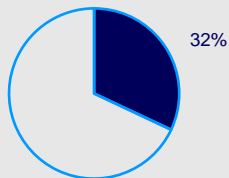
The operating cash surplus amounted to SEK 8,882m (9,089).

Fourth quarter of 2021 compared with the corresponding period a year ago

Net sales increased 8.1% to SEK 12,605m (11,660). Organic sales growth amounted to 6.5%, of which volume accounted for 2.6% and price/mix for 3.9%. Organic sales growth in mature markets amounted to 4.0%. In emerging markets, which accounted for 35% of net sales, organic sales growth amounted to 11.2%. Exchange rate effects increased net sales by 0.1%. The acquisition of Asaleo Care increased net sales by 2.3%. Divestments reduced net sales by 0.8%.

For Incontinence Products, with Essity's globally leading TENA brand, organic sales growth amounted to 6.3%. The increase was attributable to Europe, North America and emerging markets. In Medical Solutions, organic sales growth amounted to 7.1% and all product categories demonstrated good sales growth. For Baby Care, organic sales growth amounted to -1.3%. The decrease was primarily related to Asia. Sales increased in Latin America and Europe. For Feminine Care, organic sales growth was 15.3% related to Europe, Latin America and Asia.

The adjusted gross margin decreased 4.8 percentage points to 37.5% (42.3). Higher costs for raw materials, energy and distribution reduced the margin by 8.0 percentage points. The margin was positively impacted by higher volumes, higher prices, a better mix and cost savings. The adjusted EBITA margin decreased 2.1 percentage points to 14.0% (16.1). Sales costs, excluding marketing costs, were also lower as a share of net sales. Marketing costs were lower also as a share of net sales. Adjusted EBITA decreased 6% (9% excluding currency translation effects, acquisitions and divestments) to SEK 1,766m (1,879).

Share of Group, net sales
2112Share of Group, adjusted EBITA
2112

Change in net sales (%)

	2112 vs 2012	21:4 vs 20:4
Total	-2.3	7.8
Volume	0.3	0.6
Price/mix	0.2	4.9
Currency	-2.6	1.6
Acquisitions	0.8	1.5
Divestments	-1.0	-0.8

Change in adjusted EBITA (%)

	2112 vs 2012	21:4 vs 20:4
Total	-42	-57
Volume	1	-1
Price/mix	0	31
Raw materials	-23	-64
Energy	-11	-27
Currency	-2	2
Other	-7	2

CONSUMER TISSUE

SEKm	2112	2012	%	2021:4	2020:4	%
Net sales	49,086	50,221	-2	14,093	13,070	8
Adjusted gross profit margin, %*	21.2	27.2		16.8	26.9	
Adjusted EBITA*	4,661	8,045	-42	827	1,935	-57
Adjusted EBITA margin, %*	9.5	16.0		5.9	14.8	
Adjusted operating profit*	4,655	8,039	-42	825	1,933	-57
Adjusted operating margin, %*	9.5	16.0		5.9	14.8	
Adjusted return on capital employed, %*	9.6	17.3		6.5	16.9	
Operating cash flow	3,691	6,455		1,312	1,418	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–December 2021 compared with the corresponding period a year ago

Net sales decreased 2.3% to SEK 49,086m (50,221). Organic sales growth amounted to 0.5%, of which volumes accounted for 0.3% and the price/mix 0.2%. Organic sales growth amounted to -5.6% in mature markets. In emerging markets, which accounted for 50% of net sales, organic sales growth amounted to 7.3%. Exchange rate effects decreased net sales by 2.6%. The acquisition of Asaleo Care increased net sales by 0.8%. Divestments and deconsolidation decreased net sales by 1.0%.

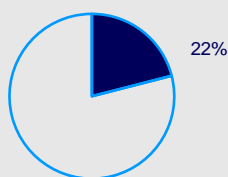
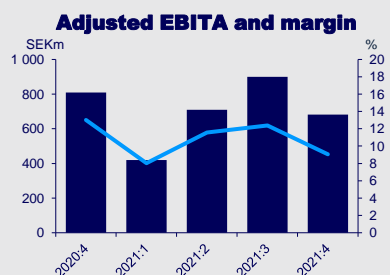
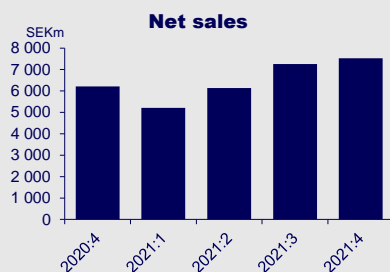
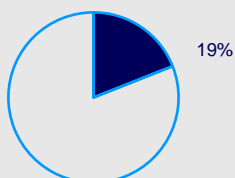
The adjusted gross margin decreased by 6.0 percentage points to 21.2% (27.2). Higher costs for raw materials, energy and distribution and lower prices had a negative impact on the margin. The margin was positively impacted by higher volumes, a better mix and cost savings. The adjusted EBITA margin decreased 6.5 percentage points to 9.5% (16.0). Sales and marketing costs were higher also as a share of net sales. Adjusted EBITA decreased 42% (40% excluding currency translation effects, acquisitions and divestments) to SEK 4,661m (8,045).

The operating cash surplus totaled SEK 7,379m (10,817).

Fourth quarter of 2021 compared with the corresponding period a year ago

Net sales increased 7.8% to SEK 14,093m (13,070). Organic sales growth amounted to 5.5%, of which volumes accounted for 0.6% and the price/mix 4.9%. Organic sales growth amounted to 2.7% in mature markets. In emerging markets, which accounted for 52% of net sales, organic sales growth amounted to 8.3%. Exchange rate effects increased net sales by 1.6%. The acquisition of Asaleo Care increased net sales by 1.5%. Divestments and deconsolidation decreased net sales by 0.8%.

The adjusted gross margin decreased by 10.1 percentage points to 16.8% (26.9). Higher raw material, energy and distribution costs reduced the margin by 13.2 percentage points. The margin was positively impacted by higher prices, a better mix and cost savings. The adjusted EBITA margin decreased 8.9 percentage points to 5.9% (14.8). Sales and marketing costs were lower also as a share of net sales. Adjusted EBITA decreased 57% (60% excluding currency translation effects, acquisitions and divestments) to SEK 827m (1,935).

Share of Group, net sales
2112Share of Group, adjusted EBITA
2112

Change in net sales (%)

	2112 vs 2012	21:4 vs 20:4
Total	2.9	21.1
Volume	2.8	11.1
Price/mix	2.9	5.3
Currency	-4.5	1.0
Acquisitions	1.8	3.8
Divestments	-0.1	-0.1

Change in adjusted EBITA (%)

	2112 vs 2012	21:4 vs 20:4
Total	-18	-16
Volume	4	27
Price/mix	22	34
Raw materials	-25	-46
Energy	-9	-21
Currency	-5	-1
Other	-5	-9

PROFESSIONAL HYGIENE

SEKm	2112	2012	%	2021:4	2020:4	%
Net sales	26,143	25,418	3	7,527	6,216	21
Adjusted gross profit margin, %*	23.3	26.9		20.4	27.1	
Adjusted EBITA*	2,710	3,317	-18	681	809	-16
Adjusted EBITA margin, %*	10.4	13.0		9.0	13.0	
Adjusted operating profit*	2,701	3,280	-18	679	801	-15
Adjusted operating margin, %*	10.3	12.9		9.0	12.9	
Adjusted return on capital employed, %*	11.8	14.6		11.1	15.0	
Operating cash flow	2,512	3,183		754	769	

*) Excluding restructuring costs, which are reported as items affecting comparability outside of the business area.

January–December 2021 compared with the corresponding period a year ago

Net sales increased 2.9% to SEK 26,143m (25,418). Organic sales growth amounted to 5.7%, of which volume accounted for 2.8% and price/mix for 2.9%. Organic sales growth amounted to 3.3% in mature markets. In emerging markets, which accounted for 21% of net sales, organic sales growth amounted to 15.0%. Exchange rate effects reduced net sales by 4.5%. The acquisition of Asaleo Care increased net sales by 1.8%. Divestments decreased net sales by 0.1%.

The adjusted gross margin decreased 3.6 percentage points to 23.3% (26.9). Higher costs for raw materials, energy and distribution had a negative impact on the margin. The margin was positively impacted by higher prices, higher volumes, a better mix and cost savings. The adjusted EBITA margin decreased 2.6 percentage points to 10.4% (13.0). Sales and marketing costs were lower also as a share of net sales. Adjusted EBITA decreased 18% (14% excluding currency translation effects, acquisitions and divestments) to SEK 2,710m (3,317).

The operating cash surplus was SEK 4,782m (5,479).

Fourth quarter of 2021 compared with the corresponding period a year ago

Net sales increased 21.1% to SEK 7,527m (6,216). Organic sales growth amounted to 16.4%, of which volumes accounted for 11.1% and price/mix for 5.3%. Organic sales growth amounted to 15.3% in mature markets. In emerging markets, which accounted for 21% of net sales, organic sales growth amounted to 18.0%. Exchange rate effects increased net sales by 1.0%. The acquisition of Asaleo Care increased net sales by 3.8%. Divestments decreased net sales by 0.1%.

The adjusted gross margin declined 6.7 percentage points to 20.4% (27.1). Higher costs for raw materials, energy and distribution reduced the margin by 9.0 percentage points. The margin was positively impacted by higher volumes, higher prices a better mix and cost savings. The adjusted EBITA margin decreased 4.0 percentage points to 9.0% (13.0). Sales and marketing costs were lower also as a share of net sales. Adjusted EBITA decreased 16% (18% excluding currency translation effects, acquisitions and divestments) to SEK 681m (809).

DISTRIBUTION OF SHARES

December 31, 2021	Class A	Class B	Total
Registered number of shares	61,415,068	640,927,421	702,342,489

At the end of the period, the proportion of Class A shares was 8.7%. During the fourth quarter, 252,850 Class A shares were converted into Class B shares at the request of shareholders. The total number of votes in the company amounts to 1,255,078,101.

FUTURE REPORTS

Essity's Annual Report for 2021 will be published during the week starting February 28, 2022. In 2022, interim reports will be published on April 28, July 21 and October 27.

ANNUAL GENERAL MEETING

Essity's Annual General Meeting will be held in Stockholm on March 24, 2022.

INVITATION TO PRESENTATION OF THE YEAR-END REPORT 2021

In conjunction with publication, a telephone and web presentation will be held where President and CEO Magnus Groth will present the report and answer questions.

Presentation

Date: Wednesday, January 26, 2022

Time: 9:00 a.m. CET

Link to web presentation: <https://essity.videosync.fi/2022-01-26-q4>

To participate by telephone, call: +44 333 300 08 04, +1 631 913 14 22 or +46 (0) 8 566 426 51. Please call well in advance of the start of the presentation. State pin code 70624732#.

The presentation can also be followed on [LinkedIn](#) and [Twitter](#).

Stockholm, January 26, 2022

Essity Aktiebolag (publ)

Magnus Groth

President and CEO

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NB:

This report has not been reviewed by the company's auditors.

This information is such information that Essity Aktiebolag (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. The information was submitted for publication, through the agency of the contact person set out below, at 7:00 a.m. CET on January 26, 2022.

Karl Stoltz, Media Relations Manager, +46 (0) 709 426 338

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	2021:4	2020:4	2021:3	2112	2012
Net sales	34,226	30,956	31,145	121,867	121,752
Cost of goods sold ^{1,2}	-25,617	-20,820	-22,202	-86,628	-82,132
Items affecting comparability - cost of goods sold ²	-82	22	-11	-146	-181
Gross profit	8,527	10,158	8,932	35,093	39,439
Sales, general and administration ^{1,2}	-5,538	-5,777	-5,361	-21,617	-22,088
Items affecting comparability - sales, general and administration ²	9	-24	535	517	122
Share of profits of associates and joint ventures	6	33	4	58	94
Operating profit before amortization of acquisition-related intangible assets (EBITA)	3,004	4,390	4,110	14,051	17,567
Amortization of acquisition-related intangible assets	-250	-199	-235	-852	-809
Operating profit	2,754	4,191	3,875	13,199	16,758
Financial items	-190	-172	-137	-662	-958
Profit before tax	2,564	4,019	3,738	12,537	15,800
Income taxes	-346	-990	-773	-2,727	-4,053
Profit for the period	2,218	3,029	2,965	9,810	11,747
Earnings attributable to:					
Owners of the Parent company	1,982	2,640	2,736	8,620	10,228
Non-controlling interests	236	389	229	1,190	1,519
Earnings per share - owners of the Parent company					
Earnings per share before and after dilution effects, SEK	2.82	3.76	3.90	12.27	14.56
Average numbers of shares before and after dilution, million	702.3	702.3	702.3	702.3	702.3
¹ Of which, depreciation and amortization	-1,926	-1,835	-1,857	-7,214	-7,349
² Of which, impairment	-75	-65	-75	-177	-322
Gross margin	24.9	32.8	28.7	28.8	32.4
EBITA margin	8.8	14.2	13.2	11.5	14.4
Operating margin	8.0	13.5	12.4	10.8	13.8
Financial net margin	-0.6	-0.6	-0.4	-0.5	-0.8
Profit margin	7.4	12.9	12.0	10.3	13.0
Income taxes	-1.0	-3.2	-2.5	-2.2	-3.3
Net margin	6.4	9.7	9.5	8.1	9.7
Excluding items affecting comparability:					
Gross margin	25.2	32.7	28.7	28.9	32.5
EBITA margin	9.0	14.2	11.5	11.2	14.5
Operating margin	8.3	13.5	10.8	10.5	13.8
Financial net margin	-0.6	-0.6	-0.4	-0.5	-0.8
Profit margin	7.7	12.9	10.4	10.0	13.0
Income taxes	-1.1	-3.2	-2.6	-2.3	-3.3
Net margin	6.6	9.7	7.8	7.7	9.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2021:4	2020:4	2021:3	2112	2012
Profit for the period	2,218	3,029	2,965	9,810	11,747
Other comprehensive income for the period					
Items that will not be reclassified to the income statement					
Actuarial gains/losses on defined benefit pension plans	-105	2,531	-1,141	-148	-202
Fair value through other comprehensive income	-1	3	0	0	3
Income tax attributable to components in other comprehensive income	-132	-297	258	-13	279
	-238	2,237	-883	-161	80
Items that have been or may be reclassified subsequently to the income statement					
Cash flow hedges					
Result from remeasurement of derivatives recognized in equity	380	209	2,795	4,142	-9
Transferred to profit or loss for the period	-896	46	-321	-1,363	473
Translation differences in foreign operations	1,752	-4,508	1,448	5,480	-8,092
Gains/losses from hedges of net investments in foreign operations	-254	1,061	-291	-1,012	1,504
Other comprehensive income from associated companies	3	-8	0	15	-20
Income tax attributable to components in other comprehensive income	192	-283	-600	-539	-415
	1,177	-3,483	3,031	6,723	-6,559
Other comprehensive income for the period, net of tax	939	-1,246	2,148	6,562	-6,479
Total comprehensive income for the period	3,157	1,783	5,113	16,372	5,268
Total comprehensive income attributable to:					
Owners of the Parent company	2,572	1,829	4,610	14,294	4,588
Non-controlling interests	585	-46	503	2,078	680

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEKm	2112	2012
Equity attributable to owners of the Parent company		
Value, January 1	54,352	54,125
Total comprehensive income for the period	14,294	4,588
Dividend	-4,741	-4,390
Acquisition of non-controlling interests	-4,042	-1
Private placement to non-controlling interests	13	33
Transferred to cost of hedged investments	1	-2
Revaluation effect upon acquisition of non-controlling interests	-3	-1
Value, December 31	59,874	54,352
Non-controlling interests		
Value, January 1	8,990	8,676
Total comprehensive income for the period	2,078	680
Dividend	-528	-453
Private placement to non-controlling interests	12	31
Divestment of non-controlling interests	0	57
Acquisition of non-controlling interests	-1,919	-1
Value, December 31	8,633	8,990
Total equity, value December 31	68,507	63,342

CONSOLIDATED OPERATING CASH FLOW STATEMENT

SEKm	2112	2012
Operating cash surplus	20,471	24,653
Change in working capital	-844	-810
Investment in non-current assets, net	-7,304	-6,439
Restructuring costs, etc.	-725	-977
Operating cash flow before Investments in operating assets through leases	11,598	16,427
Investments in operating assets through leases	-480	-409
Operating cash flow	11,118	16,018
Financial items	-662	-958
Income taxes paid	-3,634	-3,917
Other	72	32
Cash flow from current operations	6,894	11,175
Acquisitions of Group companies and other operations	-11,813	-747
Divestments of Group companies and other operations	13	367
Cash flow before transactions with shareholders	-4,906	10,795
Private placement to non-controlling interest	25	64
Dividend to non-controlling interests	-571	-423
Dividend	-4,741	-4,390
Net cash flow	-10,193	6,046
Net debt at the start of the period	-42,688	-50,940
Net cash flow	-10,193	6,046
Remeasurements to equity	-147	-199
Investments in non-operating assets through leases	-385	-399
Translation differences	-2,020	2,804
Net debt at the end of the period	-55,433	-42,688
Debt/equity ratio	0.81	0.67
Debt payment capacity, %	29	46
Net debt / EBITDA	2.69	1.75
Net debt / Adjusted EBITDA	2.77	1.76

CONSOLIDATED CASH FLOW STATEMENT

SEKm	2112	2012
Operating activities		
Operating profit	13,199	16,758
Adjustment for non-cash items ¹	7,212	7,812
Interest paid	-724	-872
Interest received	91	101
Other financial items	-39	-205
Change in liabilities relating to restructuring programs, etc.	-594	-1,048
Paid tax	-3,634	-3,917
Cash flow from operating activities before changes in working capital	15,511	18,629
Cash flow from changes in working capital		
Change in inventories	-1,047	-2,207
Change in operating receivables	-2,084	53
Change in operating liabilities	2,287	1,344
Cash flow from operating activities	14,667	17,819
Investing activities		
Acquisitions of Group companies and other operations	-4,427	-668
Divestments of Group companies and other operations	16	65
Investments in intangible assets and property, plant and equipment	-7,301	-6,587
Sale of property, plant and equipment	54	169
Loans granted to external parties	-418	-54
Paid interest capitalized in intangible assets and property, plant and equipment	-57	-20
Cash flow from investing activities	-12,133	-7,095
Financing activities		
Private placement to non-controlling interests	25	64
Acquisition of non-controlling interests	-5,961	0
Dividend	-4,741	-4,390
Proceeds from borrowings	19,444	6,474
Repayment of borrowings	-12,003	-10,100
Dividend to non-controlling interests	-571	-423
Cash flow from financing activities	-3,807	-8,375
Cash flow for the period	-1,273	2,349
Cash and cash equivalents at the beginning of the period	4,982	2,928
Translation differences in cash and cash equivalents	195	-295
Cash and cash equivalents at the end of the period	3,904	4,982
Cash flow from operating activities per share, SEK	20.88	25.37
Reconciliation with consolidated operating cash flow statement		
Cash flow for the period	-1,273	2,349
Paid/not paid financial receivable upon divestment of Group company	-18	18
Repayment of borrowings	12,003	10,100
Proceeds from borrowings	-19,444	-6,474
Loans granted to external parties	418	54
Impact from settlement of pension liability	0	187
Investment in operating assets through leases	-480	-409
Net debt in acquired and divested operations	-1,410	205
Accrued interest	10	18
Other	1	-2
Net cash flow according to consolidated operating cash flow statement	-10,193	6,046
¹⁾ <i>Adjustment for non-cash items</i>		
<i>Depreciation/amortization and impairment of non-current assets</i>	<i>7,391</i>	<i>7,671</i>
<i>Gain/loss on asset sales</i>	<i>13</i>	<i>-44</i>
<i>Change in provision for ongoing competition case</i>	<i>-54</i>	<i>0</i>
<i>Impact from settlement of pension liability</i>	<i>0</i>	<i>-187</i>
<i>Gain/loss on divestments and liquidation</i>	<i>21</i>	<i>-69</i>
<i>Non-cash items relating to efficiency program</i>	<i>-43</i>	<i>-19</i>
<i>Change, one-time foreign tax on non-current assets</i>	<i>-20</i>	<i>0</i>
<i>Revaluation effect of previously owned holding upon acquisition</i>	<i>-706</i>	<i>0</i>
<i>Other</i>	<i>610</i>	<i>460</i>
Total	7,212	7,812

CONSOLIDATED BALANCE SHEET

SEKm	December 31, 2021	December 31, 2020
ASSETS		
Non-current assets		
Goodwill	37,803	32,324
Other intangible assets	21,806	18,574
Property, plant and equipment	58,918	53,631
Participation in joint ventures and associates	239	847
Shares and participations	7	7
Surplus in funded pension plans	1,439	2,817
Non-current financial assets	412	738
Deferred tax assets	2,012	1,823
Other non-current assets	1,411	768
Total non-current assets	124,047	111,529
Current Assets		
Inventories	19,339	16,383
Trade receivables	19,871	17,825
Current tax assets	952	760
Other current receivables	5,787	2,173
Current financial assets	1,150	993
Cash and cash equivalents	3,904	4,982
Total current assets	51,003	43,116
Total assets	175,050	154,645
EQUITY AND LIABILITIES		
Equity		
Share capital	2,350	2,350
Reserves	6,416	581
Retained earnings	51,108	51,421
Attributable to owner of the Parent company	59,874	54,352
Non-controlling interests	8,633	8,990
Total equity	68,507	63,342
Non-current liabilities		
Non-current financial liabilities	47,443	38,202
Provisions for pensions	4,149	5,328
Deferred tax liabilities	7,574	6,150
Other non-current provisions	396	445
Other non-current liabilities	86	105
Total non-current liabilities	59,648	50,230
Current liabilities		
Current financial liabilities	10,746	8,688
Trade payables	18,030	14,791
Current tax liabilities	1,576	2,301
Current provisions	736	748
Other current liabilities	15,807	14,545
Total current liabilities	46,895	41,073
Total liabilities	106,543	91,303
Total equity and liabilities	175,050	154,645

CONSOLIDATED BALANCE SHEET (cont.)

SEKm	December 31, 2021	December 31, 2020
Debt/equity ratio	0.81	0.67
Equity/assets ratio	34%	35%
Equity	68,507	63,342
Equity per share	98	90
Return on equity	15.0%	18.2%
Return on equity excluding items affecting comparability	14.3%	18.3%
Capital employed	123,940	106,030
- of which working capital	11,157	7,146
Return on capital employed*	12.3%	15.6%
Return on capital employed* excluding items affecting comparability	12.0%	15.7%
Net debt	55,433	42,688
Provisions for restructuring costs are included in the balance sheet as follows:		
-Other non-current provisions	96	137
-Other current provisions	160	263

*) rolling 12 months

NET SALES (business area reporting)

SEKm	2112	2012	2021:4	2021:3	2021:2	2021:1	2020:4	2020:3
Personal Care	46,639	46,095	12,605	12,112	11,163	10,759	11,660	11,115
Consumer Tissue	49,086	50,221	14,093	11,770	11,669	11,554	13,070	11,634
Professional Hygiene	26,143	25,418	7,527	7,260	6,140	5,216	6,216	5,930
Other	-1	18	1	3	-4	-1	10	-2
Total net sales	121,867	121,752	34,226	31,145	28,968	27,528	30,956	28,677

ADJUSTED EBITA (business area reporting)

SEKm	2112	2012	2021:4	2021:3	2021:2	2021:1	2020:4	2020:3
Personal Care	7,098	7,161	1,766	1,914	1,710	1,708	1,879	1,805
Consumer Tissue	4,661	8,045	827	942	1,207	1,685	1,935	1,894
Professional Hygiene	2,710	3,317	681	900	710	419	809	634
Other	-789	-897	-197	-170	-218	-204	-231	-214
Total adjusted EBITA	13,680	17,626	3,077	3,586	3,409	3,608	4,392	4,119

ADJUSTED OPERATING PROFIT (business area reporting)

SEKm	2112	2012	2021:4	2021:3	2021:2	2021:1	2020:4	2020:3
Personal Care	6,261	6,395	1,520	1,682	1,531	1,528	1,690	1,614
Consumer Tissue	4,655	8,039	825	941	1,205	1,684	1,933	1,894
Professional Hygiene	2,701	3,280	679	898	709	415	801	624
Other	-789	-897	-197	-170	-217	-205	-231	-214
Total adjusted operating profit¹	12,828	16,817	2,827	3,351	3,228	3,422	4,193	3,918
Financial items	-662	-958	-190	-137	-177	-158	-172	-184
Profit before tax¹	12,166	15,859	2,637	3,214	3,051	3,264	4,021	3,734
Income taxes	-2,803	-4,054	-373	-808	-849	-773	-993	-1,049
Net profit for the period²	9,363	11,805	2,264	2,406	2,202	2,491	3,028	2,685

¹Excluding items affecting comparability before tax amounting to:

371 -59 -73 524 -136 56 -2 -101

²Excluding items affecting comparability after tax amounting to:

447 -58 -46 559 -127 61 1 -85

ADJUSTED EBITA MARGIN (business area reporting)

%	2112	2012	2021:4	2021:3	2021:2	2021:1	2020:4	2020:3
Personal Care	15.2	15.5	14.0	15.8	15.3	15.9	16.1	16.2
Consumer Tissue	9.5	16.0	5.9	8.0	10.3	14.6	14.8	16.3
Professional Hygiene	10.4	13.0	9.0	12.4	11.6	8.0	13.0	10.7

STATEMENT OF PROFIT OR LOSS

SEKm	2021:4	2021:3	2021:2	2021:1	2020:4
Net sales	34,226	31,145	28,968	27,528	30,956
Cost of goods sold	-25,617	-22,202	-20,149	-18,660	-20,820
Items affecting comparability - cost of goods sold	-82	-11	-43	-10	22
Gross profit	8,527	8,932	8,776	8,858	10,158
Sales, general and administration	-5,538	-5,361	-5,446	-5,272	-5,777
Items affecting comparability - sales, general and administration	9	535	-93	66	-24
Share of profits of associates and joint ventures	6	4	36	12	33
EBITA	3,004	4,110	3,273	3,664	4,390
Amortization of acquisition-related intangible assets	-250	-235	-181	-186	-199
Operating profit	2,754	3,875	3,092	3,478	4,191
Financial items	-190	-137	-177	-158	-172
Profit before tax	2,564	3,738	2,915	3,320	4,019
Income taxes	-346	-773	-840	-768	-990
Net profit for the period	2,218	2,965	2,075	2,552	3,029

CONDENSED INCOME STATEMENT PARENT COMPANY

SEKm	2112	2012
Administrative expenses	-734	-705
Other operating income	312	265
Operating loss	-422	-440
Financial items	2,702	3,045
Profit before tax	2,280	2,605
Appropriations and tax on profit for the period	-169	31
Profit for the period	2,111	2,636

CONDENSED BALANCE SHEET PARENT COMPANY

SEKm	December 31, 2021	December 31, 2020
Intangible assets	0	0
Property, plant and equipment	13	14
Financial non-current assets	177,279	176,401
Total non-current assets	177,292	176,415
Total current assets	852	2,140
Total assets	178,144	178,555
Restricted equity	2,350	2,350
Non-restricted equity	83,559	86,189
Total equity	85,909	88,539
Untaxed reserves	6	5
Provisions	880	874
Non-current liabilities	34,752	31,710
Current liabilities	56,597	57,427
Total equity, provisions and liabilities	178,144	178,555

NOTES

1 ACCOUNTING PRINCIPLES

This year-end report has been prepared in accordance with IAS 34 and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent company, RFR 2.

Effective January 1, 2021, Essity applies the following new and amended IFRS:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

All other applied accounting principles and calculation methods correspond to those presented in Essity Aktiebolag's (publ) Annual and Sustainability Report for 2020.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Amendments were introduced due to the transition from IBOR (Interbank Offered Rates as a reference) to alternative benchmark interest rates. The amendments address issues that may arise when an existing interest rate benchmark is replaced with an alternative benchmark interest rate and describe how any effects resulting from the change of interest rate benchmark is to be recognized. The amendments also include disclosures related to the transition. Essity is monitoring all changes concerning the development of alternative interest rate benchmarks and is continuously evaluating the effects on the financial statements. The EU endorsed the amendments on January 13, 2021 and they came into effect on January 1, 2021.

The assessment is that the above amendments will not have any material effect on the Group's or the Parent company's earnings or financial position.

Amendment to the consolidation principle for ProNARO

Essity has previously recognized ProNARO as a joint operation according to the proportional method. ProNARO's principal task is to negotiate better prices and optimize inventory levels by pooling timber purchases. ProNARO has expanded its operations and now also sells to external customers other than Essity and Sappi (the other owner). This change of focus means that the company is more independent and Essity has thus made the assessment that the company is to be recognized according to the equity method as of January 1, 2021. This change means that Essity's participation in ProNARO's assets and liabilities is deconsolidated from the accounts. ProNARO's reported net sales amounted to SEK 435m and EBITA to SEK 0m in Essity's accounts for 2020.

2 RISKS AND UNCERTAINTIES

Processes for risk management

Essity's Board of Directors determines the Group's strategic direction based on recommendations from the Executive Management Team. Responsibility for the long-term, overall management of strategic risks corresponds to the company's delegation structure, from the Board of Directors to the CEO and from the CEO to the business unit presidents. This means that most operational risks are managed by Essity's business units at the local level, but that they are coordinated when considered necessary. The tools used in this coordination consist primarily of the business units' regular reporting and the annual strategy process, where risks and risk management are a part of the process.

Essity's financial risk management is centralized, as is the Group's internal bank for the Group companies' financial transactions and management of the Group's energy risks. Financial risks are managed in accordance with the Group's finance policy, which is adopted by Essity's Board of Directors and which – together with Essity's energy risk policy – makes up a framework for risk management. Risks are aggregated and monitored on a regular basis to ensure compliance with these guidelines. Essity has also centralized other risk management.

Essity has a staff function for internal audit, which monitors compliance in the organization with the Group's policies.

Essity's risk exposure and risk management are described on pages 36–41 of Essity's Annual and Sustainability Report 2020. No significant changes have taken place that have affected the reported risks. This also relates to the uncertainty and risks that have arisen on account of the COVID-19 pandemic that may affect Essity's sales, earnings and financial position.

Risks in conjunction with company acquisitions are analyzed in the due diligence processes that Essity carries out prior to all acquisitions. In cases where acquisitions have been carried out that may affect the assessment of Essity's risk exposure, these are described under the heading "Events during the quarter" in the interim and year-end reports.

3 FINANCIAL INSTRUMENTS PER CATEGORY

Distribution by level for measurement at fair value

SEKm	Carrying amount in the balance sheet	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Of which fair value by level ¹	
						1	2
December 31, 2021							
Derivatives	4,784	904	3,880	-	-	-	4,784
Non-current financial assets	99	-	-	99	-	99	-
Total assets	4,883	904	3,880	99	-	99	4,784
Derivatives	1,578	640	938	-	-	-	1,578
Financial liabilities							
Current financial liabilities	9,838	14	-	-	9,824	-	14
Non-current financial liabilities	47,056	20,386	-	-	26,670	-	20,386
Total liabilities	58,472	21,040	938	-	36,494	-	21,978
December 31, 2020							
Derivatives	1,650	571	1,079	-	-	-	1,650
Non-current financial assets	96	-	-	96	-	96	-
Total assets	1,746	571	1,079	96	-	96	1,650
Derivatives	753	682	71	-	-	-	753
Financial liabilities							
Current financial liabilities	7,895	5,038	-	-	2,857	-	5,038
Non-current financial liabilities	38,199	10,615	-	-	27,584	-	10,615
Total liabilities	46,847	16,335	71	-	30,441	-	16,406

¹ No financial instruments have been classified to level 3

The total fair value of the above financial liabilities, excluding lease liabilities, is SEK 53,925m (43,947). The fair value of trade receivables, other current and non-current receivables, cash and cash equivalents, trade payables and other current and non-current liabilities is estimated to be equal to their carrying amount.

No transfers between level 1 and 2 were made during the period.

4 Acquisitions and divestments

On May 14, Essity Aktiebolag acquired the remaining 25% of the shares of ABIGO Medical AB, making the company a wholly owned subsidiary. The purchase consideration paid for the remaining 25% amounted to SEK 228m. As per the terms of the transaction, ABIGO Medical's pharma business has been divested and sold to the company's founder Jan G. Smith on July 1.

On July 1, Essity acquired the remaining 63.8% of the shares in the hygiene company Asaleo Care. Up until June 30, Essity – with its holding of 36.2% of the shares – has been the largest shareholder of Asaleo Care, which prior to the acquisition was listed on the Australian Securities Exchange. Up until the acquisition of the remaining shares, Asaleo Care was recognized as an associate according to the equity method.

Essity has paid AUD 1.40 cash per share, a total of AUD 486m. The consideration entails an implicit value for all shares, including the previous holding, of AUD 760m (approximately SEK 4.9bn) and assumed net debt amounts to approximately AUD 196m. Essity's previous holding in Asaleo Care of 36.2% has, according to IFRS, been remeasured on July 1, resulting in a positive extraordinary remeasurement effect of AUD 110m (SEK 706m) in the third quarter. The remeasurement effect was calculated on the basis of the cash offer, less the assessed control premium contained therein. Since the acquisition, Asaleo Care's reported net sales amounted to SEK 1,539m, adjusted EBITDA to SEK 316m and adjusted EBITA to SEK 226m. Had Asaleo Care been consolidated as of January 1, 2021, net sales would have amounted to SEK 2,641m, adjusted EBITDA to SEK 516m and adjusted EBITA to SEK 342m.

Purchase price allocation, Asaleo Care		Preliminary
SEKm		
Intangible assets		1,822
Property, plant and equipment		1,041
Operating assets		1,092
Cash and cash equivalents		159
Net debt excluding cash and cash equivalents		-1,416
Provisions and other non-current liabilities		-467
Operating liabilities		-612
Fair value of net assets		1,619
Goodwill		2,756
Carrying amount of share in associate		-565
Revaluation of previously owned share in associate		-706
Consideration transferred		3,104
Consideration transferred		-3,104
Cash and cash equivalents in acquired operations		159
Effect on Group's cash and cash equivalents, acquisition of Group companies and operations		-2,945
Acquired net debt excluding cash and cash equivalents		-1,416
Acquisition of Group companies and operations during the period, including assumed net debt		-4,361

On August 31, 2021, Essity finalized the acquisition of 45.8% of the shares in the Colombian hygiene company Productos Familia S.A. ("Familia"). The purchase price amounted to SEK 5,961m on a debt-free basis. Essity now owns 95.8% of Familia. Already prior to acquisition of the additional shares, Essity had control of Familia and Familia was fully consolidated in the Group's accounts. The transaction with shareholders entailed an increase of SEK 5,961m in Essity's net debt and the corresponding decrease in Essity's equity.

On December 29, 2021, Essity acquired 100% of the shares in the US-based company Hydrofera, which produces and markets Hydrofera Blue Antibacterial Wound Dressings, an advanced line of wound care products designed to shorten healing times, lower treatment costs, and deliver better patient outcomes. The company has approximately 90 employees.

Purchase price allocation, Hydrofera		Preliminary
SEKm		
Intangible assets		495
Property, plant and equipment		33
Operating assets		82
Cash and cash equivalents		24
Net debt excluding cash and cash equivalents		-9
Operating liabilities		-45
Fair value of net assets		580
Goodwill		589
Non-transferred consideration, recognized as a liability		-141
Consideration transferred		1,028
Consideration transferred		-1,028
Cash and cash equivalents in acquired operations		24
Effect on Group's cash and cash equivalents, acquisition of Group companies and operations		-1,004
Acquired net debt excluding cash and cash equivalents		-9
Acquisition of Group companies and operations during the period, including assumed net debt		-1,013

5 Use of non-International Financial Reporting Standards (IFRS) performance measures

Guidelines for Alternative Performance Measures (APMs) for companies with securities listed on a regulated market in the EU have been issued by ESMA (European Securities and Markets Authority). These guidelines are to be applied for APMs not supported under IFRS.

This interim report refers to a number of performance measures not defined in IFRS. These performance measures are used to help investors, management and other stakeholders analyze the company's operations. These non-IFRS measures may differ from similarly titled measures among other companies. Essity's 2020 Annual Report, pages 71–76, describes the various non-IFRS performance measures that are used as a complement to the financial information presented in accordance with IFRS. Tables are presented below that show how the performance measures have been calculated.

Capital employed

SEKm	2112	2012
Total assets	175,050	154,645
-Financial assets	-6,905	-9,530
-Non-current non-interest bearing liabilities	-8,056	-6,700
-Current non-interest bearing liabilities	-36,149	-32,385
Capital employed	123,940	106,030

SEKm	2021:4	2021:3	2021:2	2021:1	2020:4
Personal Care	47,085	45,126	42,165	42,644	40,505
Consumer Tissue	51,255	50,632	48,493	47,084	45,283
Professional Hygiene	24,518	24,595	22,305	22,607	20,915
Other	1,082	567	-281	-5,092	-673
Capital employed	123,940	120,920	112,682	107,243	106,030

Working capital

SEKm	2112	2012
Inventories	19,339	16,383
Trade receivables	19,871	17,825
Other current receivables	5,787	2,173
Trade payables	-18,030	-14,791
Other current liabilities	-15,807	-14,545
Other	-3	101
Working capital	11,157	7,146

Net debt

SEKm	2112	2012
Surplus in funded pension plans	1,439	2,817
Non-current financial assets	412	738
Current financial assets	1,150	993
Cash and cash equivalents	3,904	4,982
Financial assets	6,905	9,530
Non-current financial liabilities	47,443	38,202
Provisions for pensions	4,149	5,328
Current financial liabilities	10,746	8,688
Financial liabilities	62,338	52,218
Net debt	55,433	42,688

EBITDA

SEKm	2112	2012	2021:4	2020:4
Operating profit	13,199	16,758	2,754	4,191
-Amortization of acquisition-related intangible assets	852	809	250	199
-Depreciation/amortization	5,424	5,618	1,424	1,414
-Depreciation right-of-use asset	938	922	252	222
-Impairment	-2	125	-3	54
-Items affecting comparability - impairment net	179	197	78	11
EBITDA	20,590	24,429	4,755	6,091
-Items affecting comparability excluding depreciation/amortization and impairment	-550	-138	-5	-9
Adjusted EBITDA	20,040	24,291	4,750	6,082

EBITA

SEKm	2112	2012	2021:4	2020:4
Operating profit	13,199	16,758	2,754	4,191
-Amortization of acquisition-related intangible assets	852	809	250	199
-Operating profit before amortization of acquisition-related intangible assets (EBITA)	14,051	17,567	3,004	4,390
EBITA margin (%)	11.5	14.4	8.8	14.2
-Items affecting comparability - cost of goods sold	146	181	82	-22
-Items affecting comparability - sales, general and administration	-517	-122	-9	24
Adjusted EBITA	13,680	17,626	3,077	4,392
Adjusted EBITA margin (%)	11.2	14.5	9.0	14.2

Operating cash flow

SEKm	2112	2012	2021:4	2020:4
Personal Care				
Operating cash surplus	8,882	9,089	2,238	2,374
Change in working capital	-471	236	-162	552
Investment in non-current assets, net	-1,779	-1,658	-474	-632
Restructuring costs, etc.	-89	-101	-8	-146
Operating cash flow before investments in operating assets through leases	6,543	7,566	1,594	2,148
Investment in operating assets through leases	-74	-81	-64	-15
Operating cash flow	6,469	7,485	1,530	2,133
Consumer Tissue				
Operating cash surplus	7,379	10,817	1,542	2,628
Change in working capital	403	-548	1,132	406
Investment in non-current assets, net	-3,563	-3,191	-1,025	-1,337
Restructuring costs, etc.	-281	-418	-153	-182
Operating cash flow before investments in operating assets through leases	3,938	6,660	1,496	1,515
Investment in operating assets through leases	-247	-205	-184	-97
Operating cash flow	3,691	6,455	1,312	1,418
Professional Hygiene				
Operating cash surplus	4,782	5,479	1,233	1,356
Change in working capital	-705	-360	141	21
Investment in non-current assets, net	-941	-1,135	-337	-335
Restructuring costs, etc.	-466	-677	-139	-190
Operating cash flow before investments in operating assets through leases	2,670	3,307	898	852
Investment in operating assets through leases	-158	-124	-144	-83
Operating cash flow	2,512	3,183	754	769

Sales growth

Organic sales growth

Description

Underlying change in net sales compared with the preceding period attributable to changed volume, price or product mix and excluding changes attributable to exchange rate effects, acquisitions and divestments.

Reason for use of the measure

This measure is of major importance for management in its monitoring of underlying net sales driven by changes in volume, price and product mix for comparable units between different periods.

Sales growth including organic sales growth and acquisitions

Description

Underlying change in net sales compared with the preceding period attributable to changed volume, price, product mix or acquisition, and excluding changes attributable to exchange rate effects and divestments.

Reason for use of the measure

This measure is of major importance for management in its monitoring of underlying net sales driven by changes in volume, price, product mix and acquisitions.

SEKm	2112	2021:4
Personal Care		
Organic sales growth	2,308	763
Acquisitions	626	268
Sales growth including organic sales growth and acquisitions	2,934	1,031
Divestments	-451	-92
Exchange rate effects ¹	-1,939	6
Recognized change	544	945
Consumer Tissue		
Organic sales growth	232	716
Acquisitions	380	195
Sales growth including organic sales growth and acquisitions	612	911
Divestments	-494	-110
Exchange rate effects ¹	-1,253	222
Recognized change	-1,135	1,023
Professional Hygiene		
Organic sales growth	1,443	1,021
Acquisitions	452	238
Sales growth including organic sales growth and acquisitions	1,895	1,259
Divestments	-19	-4
Exchange rate effects ¹	-1,151	56
Recognized change	725	1,311
Essity		
Organic sales growth	3,962	2,491
Acquisitions	1,458	701
Sales growth including organic sales growth and acquisitions	5,420	3,192
Divestments	-964	-206
Exchange rate effects ¹	-4,342	283
Recognized change	114	3,269

¹Consists solely of currency translation effects

6 Supplementary information

In 2021, Essity had sales in approximately 150 countries and the number of employees amounted to about 46,000.

Net sales 2021 by category

Personal Care	38%
of which	
Incontinence Products	17%
Medical Solutions	7%
Baby Care	7%
Feminine Care	7%
Consumer Tissue	40%
Professional Hygiene	22%

Net sales 2021 by region

Europe	54%
Asia	18%
Latin America	13%
North America	12%
Other	3%

Net sales 2021 by distribution channel

Retail trade	60%
Business-to-business	22%
Healthcare sector	18%

Gender distribution at management levels

Share/Number of women among Board members	42% / 5 (12)
Share/Number of women on Executive Management Team	31% / 4 (13)
Share/Number of women among senior management	34% / 35 (104)
Share/Number of women among middle management	31% / 195 (622)

Essity's target is that gender distribution at all management levels (Executive Management Team, senior management, middle management) is to be within the interval 40/60% no later than 2025. The target is reported at an aggregate outcome level for the three management levels and the outcome for 2021 was 32%.

Health and safety

Essity's target for occupational safety is to achieve a reduction in the total recordable frequency rate (TRI-R) of 75% by 2025 compared with 2019. Total recordable injuries (TRI) includes lost time accidents (LTA), restricted work cases (RWC) and medical treatment cases (MTC). The outcome for 2021 was a reduction of 43% compared with 2019. The figures refer to all of Essity's production facilities, excluding Vinda, and exclude sales and administration offices.

	2021
Total recordable injuries	201
Total recordable frequency rate (TRI-R, TRI / million of hours worked)	4.1

Science Based Targets

Essity's targets to reduce greenhouse gas emissions were approved by the Science Based Targets initiative in 2018. In 2021, Essity increased its ambition for 2030. In terms of energy consumption (Scope 1 and 2), Essity has undertaken to reduce greenhouse gas emissions by 35% by 2030 compared with 2016. The outcome for 2021 was -15% for Scope 1 and 2. Essity has, moreover, undertaken to reduce greenhouse gas emissions from the most important purchased raw materials, transport, waste arising from operations and handling at the end of the life cycle for sold products (Scope 3) by 18% by 2030 compared with 2016. The outcome for 2020 was -9% for Scope 3. Emissions are calculated using data from the company's value chain and Essity thus reports data with a delay of one year. Targets and outcomes refer to wholly owned companies and during the year Essity integrated figures from the acquired operations Asaleo Care and Familia, which were also included in the comparative year 2016.

	2021
Scope 1, CO ₂ e, ktons	1,410
Scope 2, CO ₂ e, ktons	1,287
	2020
Scope 3, CO ₂ e, ktons	3,091